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STATE DEPARTMENT
PROGRESS REPORT ON INTERNATIONAL TRADE CONTROL NEGOTIATIONS
(FOR SUBMISSION THROUGH CFEP to NSC)

SUMMARY OF NEGOTIATIONS

1. Negotiations on multilateral China trade controls began in CHINCOM on May 7. The French proposed immediate abolition of all special China controls except for the 25 items under quantitative control to the Soviet Bloc; quantitative limits for the export of these items to China were to be set within six months. In accordance with NSC 5704/1 the United States, while seeking to maintain a significant differential in the level and severity of controls applied to Communist China as compared with the Soviet Union, proposed a relaxation of the existing special China controls. After hearing the two proposals, twelve of the fifteen participating countries, led by the U.K., supported the French proposal, and only Turkey supported the U.S. proposal. It therefore became obvious that the initial United States position would have to be modified if any agreement were to result.

2. During the course of the ensuing negotiations the United States made a number of concessions in an attempt to reach agreement. While these concessions did not rally any substantial support, they markedly changed the atmosphere of the negotiations and led representatives of four of the countries to formulate jointly a possible compromise solution.

3. This compromise plan would have maintained a differential on China trade, in the form of a tight embargo on the 25 items under quantitative control to the European Soviet bloc and a special treatment for the 63 items under surveillance control for the European Soviet bloc. It represented the maximum U.S. concession possible if a significant differential was to be maintained. In a final attempt to reach multilateral agreement, our delegation accepted it without change. This compromise was also supported by Germany, the Benelux countries, Italy, Turkey, and Greece, a total of eight countries including the United States. Canada maintained a neutral position. Under the leadership of the United Kingdom the plan was opposed by France, Norway, Denmark and Portugal. The Japanese Delegate said that while he personally favored the compromise proposal, he was not authorized to support it. At this point it was clear that the only hope of moving the United Kingdom was to rally unanimous support for this compromise from the other countries. Determined efforts to sway these countries were unsuccessful; at least in the case of France, there was every indication that there must have been a prior, binding commitment to support the U.K. position to the end.

4. The result was the declaration by the British of their intent to proceed on their own to terminate the differential entirely. This action increased the pressure on other countries to follow suit, and, to date, only Turkey and Canada (as well as the United States) have not yet announced their intention to reduce the China trade controls. Therefore, the China trade differential in any significant form has disappeared. However, all countries have agreed to apply to

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Communist China the same controls now applied to the Soviet Bloc countries in Europe, and all have agreed on limits for China on the List II (quantitative control) items for the remainder of 1957.

5. While we were unsuccessful in preserving a differential, our negotiators succeeded in aligning a majority with us, proved that we were flexible and cooperative, and created, by their reasonableness, substantial good will among all the other negotiating countries.

6. Discussions were held with appropriate Congressional leaders prior to the CHINCOM negotiations; no further discussions are anticipated. A written report was furnished these same leaders following the completion of the negotiations.

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